

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 348 - HB 1171**

February 24, 2017

**SUMMARY OF BILL:** Authorizes Swann's Marina in Jefferson County to sell alcoholic beverages for on-premises consumption.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$300/One-Time/ABC Fund  
\$2,000/Recurring/ABC Fund  
\$8,500/Recurring/General Fund**

**Increase Local Revenue – \$7,800/Recurring/Permissive**

Assumptions:

- This bill only applies to the Swann's Marina in Jefferson County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Jefferson County is 2.75 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcohol in FY17-18.
- Based on the interquartile average of 2014 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to

**SB 348 - HB 1171**

conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.

- Given the size of this particular venue, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 ( $\$120,000 \times 50\%$ ) per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$8,548  $[(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- The recurring increase in local revenue is estimated to be \$7,802  $[\$1,500 + (\$60,000 \times 2.75\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]$ .
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jaw